

Letter to the Shareholders

Dear shareholders,

On the way back to profitability, we were able to reach important, but not all milestones in the past year. As planned, we thus generated positive earnings before interest, taxes, depreciation and amortization (EBITDA) for the second half of 2015. Our operating costs were also roughly in line with our target of around EUR 80 million. Furthermore, we successfully continued to diversify our technology and product portfolio: year-on-year, we doubled overall revenues from systems for power electronics and the silicon industry and nearly tripled revenues from optoelectronics systems (excluding LED).

Contrary to expectations, San'an Optoelectronics did not qualify the new AIX R6 system, and we were not able to reach our original revenue target. In spite of this, we nevertheless increased our revenues slightly to EUR 197.8 million in 2015. This was because we made up for lower revenues in the LED area with significant growth in other technology areas.

The evolving product mix, the favorable currency performance and the increase in productivity were reflected in the earnings figures. Even if we did not operate in the black for the full year, our positive EBITDA of EUR 5.4 million for the second half of 2015 was a significant improvement from the first half of the year as well as year-on-year.

Continued focus on costs and margins

Effective cost management is and will remain an important aspect on the road to stable earnings in the long run. Despite our investments in future technologies, we once again reported considerable progress in the reduction of operating costs across all functional areas in fiscal year 2015. The structured product development process we have implemented in research and development is a basic prerequisite for ensuring efficiency and effectiveness.

Furthermore, we also made progress in the gross margin, which increased from 20% in 2014 to 25% in 2015. This trend was not only driven by higher product margins and currency effects, but also from lower material costs as a result of the initial success of our internal design-to-cost and procurement projects. We are gradually expanding these activities to other product groups. We have also seen substantial enhancements in our logistics and service workflows.

These outcomes are accompanied by a continuous improvement of our existing finance and analysis tools, including tools for calculating margins, product costs and relevant performance indicators. This way, we are enhancing the basis on which we reach decisions and set targets.

Successful diversification

We still generate most of our revenues from MOCVD systems used to manufacture LEDs. Having said this, the share of 2015 revenues attributable to technologies for applications in optoelectronics (excluding LED), power electronics or systems for the silicon industry also increased, in some cases substantially. Business in the carbon nanostructures area (graphene, nanotubes) also underwent positive development, even though it is still in a very early phase. The figures for the 2015 fiscal year bear witness to the initial success of this diversification strategy. Not only that, we also made progress along our roadmap in order to launch our system technologies for the production of organic electronics in good time.

Expanding future technologies

We maintained our research and development spending at a high level of more than EUR 55 million. We invested more than half of our development costs in future technologies. This way, we aim to ensure that these technologies are introduced to the market at the right time.

The market environment for **LEDs** remains difficult. Once again in 2015, demand for equipment was subdued due to excess capacities and very intense competition between the LED manufacturers, particularly in China. Despite the ongoing transformation in the global light market from traditional lighting to LED lighting, a quick change in this market situation is not anticipated. This also makes it difficult to clearly predict the size and timing of large orders for new LED production systems. Moreover, qualification for our AIX R6 Closed Coupled Showerhead[®] system, which was especially designed for the Asian market, is taking longer than planned at several customers.

On the up side, we are seeing solid demand with an upward trend for our Planetary Reactor[®] systems that are used primarily outside of China to manufacture components for optoelectronics and power electronics. In this area, we offer our customers considerable advantages when it comes to homogeneity and quality requirements, which makes it possible for some manufacturers to significantly cut costs when processing the manufactured wafers. In terms of our systems for applications such as laser, infrared LEDs and photovoltaics, 2015 was the best year in a long time.

Power electronics production systems are another area in which we substantially increased our revenues in 2015. For the current fiscal year, we expect demand for our AIX G5 Planetary Reactor[®] systems to remain solid. The reason is that we are currently seeing the first manufacturers transition from the R&D phase to the production phase. We anticipate that demand for production systems will rise consistently over the next few years thanks to the increased demand for energy-efficient components based on gallium nitride and silicon carbide, for example, in the next generation of electric cars or in the increased integration into a broad range of applications. AIXTRON can build on a solid base of nearly 50 customers in this area, including some of the leading companies in this market.

In the **silicon semiconductor** industry, our ALD technology is one of the keys to efficient memory chip production. We have reported strong growth in the business with our main customer in 2015. Our success here in 2016 will crucially depend on completion of the qualification processes now underway at two potential new customers and on developments in the currently challenging DRAM memory market.

Our MOCVD technology for **III-V-on-silicon (TFOS)** applications boosts the performance of new types of future processors even more. Also very positive in the past year was the delivery of another TFOS system to a major international logic manufacturer following a development project across different locations and functions. Our systems are now viewed as the benchmark technology in the market, enabling logic manufacturers to keep pace with Moore's Law in the future. The timing of the introduction of these new materials into next-generation logic processor production will be key to AIXTRON's success.

We were also able to make advances in organic electronics in the past fiscal year: on the one hand with the commissioning of our Gen8 demo system, which is designed to show our industrial customers the cost-effective and efficient production of organic thin films on large areas for **OLED** displays and OLED lighting applications. Here, qualification at key customers is the decisive prerequisite for customer orders to be received in the months ahead. On the other hand, the receipt of the first order placed for the OPTACAP™ encapsulation technology just recently acquired through the takeover of PlasmaSi in April 2015 was a major step, and one that should be followed by further orders by the middle of 2016.

Graphene and nanomaterials such as **carbon nanotubes** and **carbon nanowires** will have the potential to be used in applications such as displays, batteries, semiconductors and many more. Last year, we successfully reinforced our global leadership in academic and industrial research. One example here is the BM Spider, a system to deposit graphene on metal foils, which we added to our product portfolio in 2015. The consistently good demand for our PECVD systems shows that our customers see our system technology as an important key to the production and use of these forward-looking materials.

Change processes successfully pursued

Looking back at 2015 as a whole, we were able to strengthen key cornerstones of the company: we further developed and diversified our technology portfolio, made considerable progress in company productivity, consistently pursued effective cost management and thus strengthened our earnings base. The design-to-cost project rolled out at the beginning of 2015 to achieve material savings in our systems is just as important in this context as the process and productivity improvements in all functional areas.

Dear shareholders,

First, I would like to express my sincere thanks again this year to our company's employees for their incredible dedication to ensuring the success of AIXTRON and for working with us to drive the necessary changes in the company. This process will also place high demands on everyone in the future. I would like to thank the Supervisory Board for its active support and close collaboration also on behalf of Dr. Schulte.

Special thanks go to you, our shareholders, who have supported and accompanied the ongoing process of change at AIXTRON for several years. The past year's figures, and particularly the distribution of revenues and positive EBITDA in the second half of 2015, offer evidence that we are on the right path with our diversification strategy. Provided that we achieve revenues at the high end of our revenue guidance range, the market launches of new technologies and qualification projects for our customers succeed, we expect to see a further albeit slight improvement of our earnings in 2016. Our most important goal remains to ensure AIXTRON's sustainable profitability. Pursuing that goal, we have our sights set firmly on achieving a positive EBITDA in 2017.

Yours sincerely,
Martin Goetzeler

The Executive Board



A handwritten signature in black ink, appearing to read 'M. Goetzler', written in a cursive style.

Martin Goetzler
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'B. Schulte', written in a cursive style.

Dr. Bernd Schulte
Chief Operating Officer